GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2554
ANSWERED ON:18.08.2006
FINANCIAL MANAGEMENT OF STATES
Thomas Shri P.C.

Will the Minister of FINANCE be pleased to state:

(a) whether States are facing debts due to fiscal mismanagement ;

(b) if so, details thereof and action taken by the Union Government thereon;

(c) whether the Government has given guidelines to States for better financial Management; Financial Management of States

(d) if so,the details thereof ;

(e) the details of the ctebts incurred by States and action taken to heip them ;

(f) the details of the debts the Government of Kerala has reported by the end of the last financial year;and

(g) the details of the Central share provided to Kerala for better fiscal management ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a)and(b) Utilization of borrowing to meet the current account deficit and growing dependence on debt financing for higher plan size are, inter-alia,attributed to debt build up of the States to curb the further debt build up of the State Governments, Government of India has imposed annual borrowing ceiling of the States under Article 293(3) of the Constitution.

(c) and (d) Twelfth Finance Commission (TFC) recommended a muiti dimensional restructuring of State finances containing, inter-alia, various reforms measures.Consequent to acceptance of the recommendation of TFC,a scheme of The Debt Consolidation and Relief Facility (DCRF)` has been evolved and circulated to States.Under the Scheme, State Governments are required to enact Fiscal Responsibility Management Act(FRBMA)to eliminate revenue deficit and reduce fiscal deficit to 3% of GSDP by 2008-09 to draw their own Fiscal Correction Path.(FCP).

(e) The estimated outstanding debt and liabilities of State Governments for the year 2005-06 (RE) is given in the Statement enclosed.Under Debt Relief, recommended by TFC, the past Central loans contracted till 31.3.2004 and outstanding as on 31.3.2005 are to be consolidated and rescheduled for repayment in 20 equal annual installments at a reduced interest rate of 7.5%, subject to states enacting Fiscal Responsibility and Budget Management Acts with suggested core provisions. As a result, the states together would have to pay lesser amount of Rs. 11,929 crore under principal repayment and Rs.21,276 crore under lower interest repayment. In addition, the debt write-off recommended by TFC is linked to reduction of revenue deficit of states for repayments due from 2005-06 to 2009-10 on the consolidated central loan, subject to laid down conditions. The above recommendations have been accepted by Government of India and detailed guidelines called `The States` Debt Consolidation and Relief Facility (DCRF) 2005-06 to 2009-10` has been formulated and circulated to all State Governments.

(f) The outstanding debt and liabilities of Government of Kerala stood as Rs.49,438 crore as on 31.3.2006.

(g) Under DCRF the central loans (Ministry of Finance) to Government of Kerala contracted till 31.3.2004 and balance as 31.3.2005 amounting to Rs.4176.69 crore has been consolidated for a fresh term of 20 years with a reduced interest rate of 7.5% p.a. TFC has estimated lower repayment of Rs.379.14 crore and lesser interest payment of Rs. 715.03 crore during its award period for Government of Kerala due to consolidation of Central loans.Besides,Government of Kerala is entitled for Rs.1063 crore of debt relief during the award period of TFC, if the State eliminates its revenue deficit by 2008-09 and contains the fiscal deficit at the level of 2004-05 along with other stipulated conditions.

Statement
(Rs. in Crore)
S.No State 2005-06
(Revised Estimate)

1 2 3

1	Andhra Pradesh	82715
2	Arunachal Pradesh	2314
3	Assam	19362
4	Bihar	45633
5	Chhattisgarh	13347
6		5045
7	Gujarat	78296
8	Haryana	26825
9	Himachal Pradesh	17505
10	Jammu and Kashmir	13644
11	Jharkand	15434
12	Karnataka	50512
13	Kerala	49438
14	Madhya Pradesh	48852
15	Maharashtra	140072
16	Mampur	3573
17	Meghalaya	2475
18	Mizoram	3019
19	Nagaland -	3051
20	Orissa	37548
21	Punjab	52727
22	Rajasthan-	65782
23	Sikkim	1235
24	Tamil Nadu	60975
25	Tripura	4506
26	Uttar Pradesh	145354
27	Uttaranchal	12300
28	West Bengal	112613

Total 1114151